

Message Text

LIMITED OFFICIAL USE

PAGE 01 SEOUL 04674 01 OF 02 070850Z

ACTION EA-09

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-06 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 L-03 PA-01 PRS-01 /096 W
-----070908Z 094495 /10

R 070744Z JUN 77

FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 4314
INFO AMEMBASSY TOKYO
AMEMBASSY TAIPEI
AMCONSUL HONG KONG
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 1 OF 2 SEOUL 4674

ALSO FOR USMTN

KONG KONG FOR REGIONAL FINATT

EO 11652: N/A

TAGS: ETRD KS JA MTN GATT IMF

SUBJ: ROKG CONSIDERING ADMINISTRATIVE MEASURES TO TRY TO NARROW
GAPING TRADE DEFICIT WITH JAPAN

SUMMARY: TWO ROKG MINISTRY OF COMMERCE AND INDUSTRY (MCI)
OFFICIALS HAVE CONFIRMED TO US THAT MCI IS CONSIDERING
POSSIBLE ADMINISTRATIVE MEASURES AIMED AT TRYING TO
REDUCE KOREA'S ENORMOUS TRADE DEFICIT WITH JAPAN AND
SIMULTANEOUSLY NARROW SOME OF THE SURPLUSES KOREA IS
RUNNING WITH MANY OF ITS OTHER TRADING PARTNERS, INCLUDING
THE U.S. THE IDEA IS STILL IN THE EXPLORATORY STAGE AND
NO CONCRETE MEASURES HAVE BEEN DISCUSSED.

AT THIS POINT, WE STILL ANTICIPATE THAT ANY ACTION THAT
RESULTS WILL BE LIMITED TO RELATIVELY MINOR ADMINISTRATIVE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SEOUL 04674 01 OF 02 070850Z

MANIPULATIONSO F VERY MODEST PRACTICAL EFFECT.
HOWEVER, AN INFLUENTIAL MCI ASSISTANT MINISTER HAS
INDICATED TO US THAT HE, PERSONALLY, WOULD LIKE TO TAKE
MORE DRASTIC ACTION. UNLIKE SOME PREVIOUS SCHEMES OF
THIS NATURE, THIS LATEST EXERCISE APPEARS TO BE PROMPTED
MORE BY CRITICISM FROM OTHER TRADING PARTNERS ABOUT
KOREAN TRADE SURPLUSES WITH THEM THAN BY ANY NEW

IRRITATION IN GOJ/ROKG RELATIONS. END SUMMARY.

1. FOLLOWING UP PRESS STORIES SUGGESTING THAT KOREA IS PLANNING TO IMPLEMENT AN EXPORT-IMPORT LINKAGE SYSTEM FOR TRADE WITH JAPAN SOMETIME THIS MONTH, WE SOUGHT FURTHER BACKGROUND FROM LEE HAN-CHOON, DIRECTOR, BUREAU OF IMPORT CONTROL AND DOMESTIC ECONOMY, ROKG MINISTRY OF COMMERCE AND INDUSTRY (MCI). THE PRESS ARTICLES WERE BASED ON REMARKS MCI MINISTER CHANG YIE-JOON REPORTEDLY MADE IN ADDRESSING REPRESENTATIVES OF KOREA'S ELEVEN GENERAL TRADING COMPANIES (GTC) LAST WEEK. AS DESCRIBED IN THE PRESS, CHANG TOLD THE GTC REPRESENTATIVES THAT MCI INTENDED TO INTRODUCE VARIOUS MEASURES THAT WOULD IN SOME FASHION LINK IMPORTS TO EXPORT PERFORMANCE IN TRADE WITH JAPAN IN AN EFFORT TO TRY TO NARROW THE HUGE TRADE DEFICIT KOREA HAS WITH THAT COUNTRY.

2. LEE CONTENDED THAT MUCH OF THE PRESS REPORTING OF CHANG'S REMARKS WAS INACCURATE OR TAKEN OUT OF CONTEXT. HE CLAIMED THAT CHANG REALLY DID NOT GO MUCH BEYOND EXHORTING THE GTC'S TO MAKE GREATER EFFORTS BOTH TO MORE ACTIVELY SEEK OUT IMPORT SOURCES OTHER THAN JAPAN AND TO PUSH HARDER ON SELLING KOREAN PRODUCTS TO THE JAPANESE. HOWEVER, LEE CONCEDED MCI WAS, IN FACT, CONSIDERING MEASURES MCI COULD TAKE TO PROMOTE THOSE AIMS.

3. ASKED WHAT PARTICULAR MEASURES MCI HAS IN MIND, LEE RESPONDED THAT THERE WERE VARIOUS "ADMINISTRATIVE" MEASURES THAT COULD BE TAKEN. THE GTC'S, FOR EXAMPLE, ARE ACCORDED A RANGE OF PRIVILEGES AND SPECIAL TREATMENT, AND IT MIGHT BE POSSIBLE TO CONDITION SOME OF THOSE ON IMPROVED RECORDS IN TRADE WITH JAPAN. LEE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SEOUL 04674 01 OF 02 070850Z

ALSO POINTED TO THE EXISTING AUTHORITY IN KOREAN FOREIGN TRADE REGULATIONS WHICH EMPOWER MCI TO PLACE ADDITIONAL RESTRICTIONS ON IMPORTS FROM COUNTRIES WITH WHICH KOREA HAS A HEAVY TRADE DEFICIT OR TO GRANT CERTAIN PREFERENCES TO THOSE WHO HAVE EXPORTED COMMODITIES TO SUCH A COUNTRY. PRIOR TO 1974, IN FACT, THE ROKG EXERCISED THIS AUTHORITY TO SPECIFY A LIST OF ROUGHLY 200 COMMODITIES WHICH REQUIRED SPECIAL PRIOR APPROVAL IF IMPORTED FROM JAPAN.

4. LEE STRESSED THESE WERE JUST EXAMPLES OF WHAT COULD BE DONE AND MAINTAINED THAT NOTHING CONCRETE HAS REALLY BEEN CONSIDERED. HE THOUGHT MCI WOULD PROBABLY TAKE SOME KIND OF LIMITED ADMINISTRATIVE ACTION, BUT SAID IT IS A DIFFICULT THING TO DO. IN HIS BEST CONSPIRATORIAL TONE, HE ADDED "IT CAN'T BE TOO CONSPICUOUS". HE POINTED OUT THAT THE TRADE DEFICIT WITH JAPAN (\$1.3 BILLION ON A CUSTOMS CLEARANCE BASIS IN 1976) IS A MAJOR HEADACHE FOR MCI. THIS IMBALANCE WITH JAPAN RESULTS IN KOREA RUNNING SURPLUSES WITH MOST OTHER COUNTRIES, AND MCI IS COMING UNDER INCREASING PRESSURE FROM REPRESENTATIVES OF THOSE

COUNTRIES (INCLUDING THE U.S.) TO REDUCE THOSE DEFICITS.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 SEOUL 04674 02 OF 02 070905Z

ACTION EA-09

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-06 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 L-03 PA-01 PRS-01 /096 W
-----070907Z 094650 /12

R 070744Z JUN 77

FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 4316
INFO AMEMBASSY TOKYO
AMEMBASSY TAIPEI
AMCONSUL HONG KONG
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 2 OF 2 SEOUL 4674

ALSO FOR USMTN

KONG KONG FOR REGIONAL FINATT

5. RESPONDING TO LEE, WE INDICATED THAT THE U.S. WOULD OBVIOUSLY
LIKE TO SEE MORE TO KOREA AND THAT WE ALSO BELIEVED THAT IF
JAPAN PROVIDED FREER ACCESS TO ITS MARKETS, WE WOULD HAVE
FEWER OF THE KIND OF PROBLEMS THAT DEVELOP WHEN KOREA OVERCON-
CENTRATES ITS EXPORTS IN THE U.S. MARKET. HOWEVER, WE BELIEVED
THE BEST APPROACH TO DEALING WITH THOSE KINDS OF ISSUES WAS FOR
KOREA: (1) TO MOVE FORWARD AS RAPIDLY AS POSSIBLE IN DISMANTLING
CONTROLS ON IMPORTS; AND (2) TO PRESS JAPAN TO OPEN ITS MARKETS
MORE WIDELY. WE EXPLAINED THAT THE EXISTING SYSTEM OF IMPORT
CONTROLS, SUBJECT OF FREQUENT MANIPULATION, TENDS TO MAGNIFY
JAPAN'S NATURAL ADVANTAGES OF PROXIMITY AND CLOSER LINGUISTIC
AND CULTURAL TIES SINCE IT PLACES A PREMIUM ON CLOSE CONTACT WITH
THE KOREAN MARKET. THUS, KOREA'S OTHER TRADING PARTNERS STOOD
TO GAIN MORE THAN JAPAN FROM A SIMPLIFICATION OF KOREA'S
IMPORT SYSTEM.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SEOUL 04674 02 OF 02 070905Z

6. IN A BRIEF DISCUSSION ON THIS SAME SUBJECT WITH PARK PIL-SOO, MCI'S ASSISTANT MINISTER FOR COMMERCE AND LEE HAN CHOON'S DIRECT SUPERIOR, PARK TOLD US HE WAS PERSONALLY MULLING THE IDEA OF ESTABLISHING SOME ACCEPTABLE RANGE FOR EXPORTS AND IMPORTS FROM JAPAN AND THEN FORMULATING POLICIES DESIGNED TO ASSURE THAT TRADE WITH JAPAN STAYS WITHIN THOSE RANGES. WE RESPONDED TO PARK IN MUCH THE SAME FASHION AS WE HAD TO LEE; THAT IS, WE ATTEMPTED TO STEER HIS THINKING TOWARDS RELAXING CONTROLS RATHER THAN ADDING MORE.

7. COMMENT: WHILE PARK'S REMARKS INDICATE THAT THERE ARE SOME OFFICIALS WITHIN THE ROKG WHO MAY PUSH FOR STRONGER ACTION THAN LEE HAS IN MIND, WE BELIEVE THAT COOLER HEADS WILL ULTIMATELY PREVAIL AND THAT WHATEVER ACTION MCI TAKES IN THIS AREA WILL PROBABLY BE LIMITED TO SOME RELATIVELY QUIET ADMINISTRATIVE MANIPULATIONS. WE THINK IT IS IMPROBABLE, FOR EXAMPLE, THAT THE ROKG WILL EVEN GO AS FAR AS TO REINTRODUCE A LIST OF IMPORTS FROM JAPAN WHICH REQUIRE SPECIAL APPROVAL, A MEASURE THAT REALLY HAD LITTLE PRACTICAL EFFECT WHEN USED IN THE PAST AND WHICH ONLY SERVED AS AN UNNECESSARY IRRITANT IN ROKG-GOJ RELATIONS. IN THE KOREAN CONTEXT, EVEN EXHORTATIONS FROM A GOVERNMENT AGENCY HAVE SOME INFLUENCE, BUT ANY IMPACT IN THIS INSTANCE IS LIKELY TO BE MARGINAL SINCE SIMILAR EXHORTATIONS HAVE BEEN MADE MANY TIMES IN THE PAST. UNLIKE SOME PREVIOUS SCHEMES OF THIS NATURE, THE CURRENT MCI EXERCISE DOES NOT APPEAR TO HAVE BEEN PROVOKED BY ANY SPECIFIC ACTION, OR LACK OF ACTION, ON THE PART OF THE JAPANESE, E.G., JAPANESE SILK IMPORT RESTRICTIONS, THE CONTINENTAL SHELF ISSUE, ETC. IT APPEARS RATHER, AS LEE INDICATED, TO BE A REACTION BY MCI TO THE CRITICISM IT IS HEARING FROM KOREA'S OTHER TRADING PARTNERS ABOUT THEIR TRADE DEFICITS WITH KOREA.

8. SINCE PARK DOES HAVE VERY CONSIDERABLE INFLUENCE, AT LEAST WITHIN MCI, THERE IS SOME THREAT THAT MCI MIGHT ACTUALLY COME UP WITH SOMETHING MORE DRASTIC THAN WE ANTICIPATE AT THIS TIME.

LIMITED OFFICIAL USE

PAGE 03 SEOUL 04674 02 OF 02 070905Z

CONSEQUENTLY, WE WILL CONTINUE TO MONITOR THE SITUATION AND REPORT FURTHER IF SOMETHING MORE SOLID DEVELOPS. THE RESIDENT IMF REPRESENTATIVE IS ALREADY ALERT TO THIS POTENTIAL PROBLEM AND HAS BEEN SEEKING A MEETING WITH PARK TO TRY TO SMOKE OUT MORE DETAILS AND, IF NECESSARY, TO REMIND PARK OF THE ROKG'S COMMITMENTS TO IMF AS REGARDS AVOIDING DISCRIMINATORY TRADE PRACTICES.

SNEIDER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TRADE BALANCE, TRADE LIBERALIZATION
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SEOUL04674
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770202-0193
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770682/aaaacufx.tel
Line Count: 221
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 978ebf83-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2247173
Secure: OPEN
Status: NATIVE
Subject: ROKG CONSIDERING ADMINISTRATIVE MEASURES TO TRY TO NARROW GAPING TRADE DEFICIT WITH JAPAN SUMMARY: TWO ROKG MINISTRY OF COMMERCE AND INDUSTR
TAGS: ETRD, KS, JA, GATT, IMF, MTN
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/978ebf83-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009